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TO SECSTATE WASHDC 1962

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C O N F I D E N T I A L SECTION 1 OF 4 DACCA 4616

E.O. 11652: GDS

TAGS: PINT, PFOR, BG, US

SUBJECT: BANGLADESH: POLICY ASSESSMENT

SUMMARY. SINCE WE UNDERSTAND THAT THE DEPARMENT MAY SHORTLY UNDERTAKE AN ANNUAL ASSESSMENT OF U.S. POLICY TOWARD BANGLADESH, WE SUBMIT THE FOLLOWING APPRAISAL WHICH REVIEWS THE EVENTS OF THE PAST YEAR -- A YEAR IN WHICH INDIAN AND SOVIET INFLUENCE IN BANGLADESH SUFFERED A SHARP REVERSE AND IN WHICH THE STRONG MOMENTUM UNDER MUJIB TOWARD A TOTALITARIAN LEFTIST STATE HAS HALTED -- AND THE IMPACT THEY HAVE HAD ON UNITED STATES POLICY OBJECTIVES. WE CONCLUDE THAT OUR INTERESTS HAVE BEEN ADVANCED BY THESE EVENTS -- ALTHOUGH LESS THAN A SUPERFICIAL OBSERVATION MIGHT SUGGEST -- AND THAT THE POLICY DIRECTIVES AGREED UPON FOR BANGLADESH AT THE END OF LAST YEAR REMAIN SOUND. END SUMMARY.

THE SETTING: POLITICAL SITUATION

1. SINCE OUR LAST POLICY ASSESSMENT, POLITICAL CHANGE IN
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BANGLADESH HAS BEEN EXTENSIVE. SHEIKH MUJIBUR RAHMAN

CONVERTED HIS PARLIAMENTARY DICTATORSHIP INTO A PRESIDENTIAL ONE AND SET ABOUT IN THE FIRST HALF OF 1975 DEVELOPING A ONE-PARTY STATE AND RESTRUCTURING THE ADMINISTRATIVE SYSTEM OF THE COUNTRY. WHILE BANGLADESHIS TENDED TO VIEW THE NEW SYSTEM AS A VEHICLE TO GUARANTEE MUJIB'S PERSONAL AND FAMILY POWER, IN ITS DESIGN THE SYSTEM RESEMBLED THE TOTALITARIAN STRUCTURE OF OTHER ONE-PARTY, NOTABLY COMMUNIST, STATES IN PROVIDING FOR STRICT CONTROL BY THE POLITICAL LEADERSHIP OVER PARTY MEMBERS, THE GOVERNMENT AND THE SOCIETY OF BANGLADESH. THE SYSTEM WAS NEVER TO BE FULLY IMPLEMENTED. ON AUGUST 15, 1975, MUJIB WAS ASSASSINATED AND HIS GOVERNMENT OVERTHROWN BY A GROUP OF YOUNG MILITARY OFFICERS. THE GOVERNMENT OF KHONDAKAR MOSHTAQUE AHMED, MUJIB'S CIVILIAN SUCCESSOR, REDRESSED SOME OF THE GRIEVANCES ARISING FROM MUJIB'S RULE BUT, WHILE PROMISING ELECTIONS IN FEBRUARY 1977, RETAINED AN AUTHORITARIAN CHARACTER. MOSHTAQUE'S GOVERNMENT FELL IN EARLY NOVEMBER BEFORE THE AMBITIONS OF ANOTHER MILITARY GROUP WHO THEMSELVES WERE OUSTED FROM POWER WITHIN FIVE DAYS. BANGLADESH HAS SINCE BEEN RULED BY A MARTIAL LAW ADMINISTRATION (MLA), LEAVENED BY A CIVILIAN AS PRESIDENT AND CHIEF MARTIAL LAW ADMINISTRATOR AND A CABINET OF CIVILIAN ADVISORS. THE REAL HEAD OF THE COUNTRY, HOWEVER, IS MAJOR-GENERAL ZIAUR RAHMAN, CHIEF OF ARMY STAFF AND ONE AMONG THREE DEPUTY CHIEF MARTIAL LAW ADMINISTRATORS.

2. IN AUGUST 1976, THE MLA PERMITTED POLITICAL ACTIVITY TO RESUME AND POLITICAL PARTIES TO BEGIN TO ORGANIZE, UNDER STRICT REGULATIONS, AND ELECTIONS CONTINUE TO BE SCHEDULED FOR FEBRUARY 1977. BANGLADESHIS, HOWEVER, DISPLAY GREAT AMBIVALENCE AT THE PROSPECT OF ELECTIONS. THEY FEAR BOTH THE PROCESS, WHICH MAY INVOLVE VIOLENCE, AND THE POSSIBLE RESULTS. MOREOVER, THEIR FAITH IN THEMSELVES AS PRACTITIONERS OF DEMOCRACY HAS BEEN SHAKEN BY THE REPRESSION AND VIOLENCE ATTENDANT UPON THEIR HISTORY SINCE INDEPENDENCE, AND MANY HAVE FOUND GIVING OVER RESPONSIBILITY TO AN AUTHORITARIAN LEADERSHIP COMFORTING.

ECONOMIC PERFORMANCE

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3. BANGLADESH'S ECONOMIC PERFORMANCE OVER THE PAST YEAR HAS BEEN BRIGHTER BUT THE LONGER TERM OUTLOOK REMAINS ALMOST UNRELIEVEDLY BLEAK. FOOD PRODUCTION ROSE TO A RECORD LEVEL, CARRYING GROSS DOMESTIC PRODUCT WITH IT. THIS INCREASE WAS THE RESULT, NOT SO MUCH OF SOUND POLICIES (ALTHOUGH THE GOVERNMENT'S CRACKDOWN ON SMUGGLING WAS ONE POSITIVE FACTOR), BUT RATHER OF GOOD WEATHER, THE ABSENCE OF NATURAL DISASTERS, AND THE RESPONSE OF FARMERS TO THE

PREVIOUSLY PREVAILING HIGH PRICE OF RICE AND TO THE AVAILABILITY OF FERTILIZER. ON THE POLICY LEVEL, THE BDG HELD STEADFAST TO ITS STABILIZATION PROGRAM DESPITE THE POLITICAL UPHEAVALS. INFLATION WAS CHECKED, CREDIT CEILINGS WERE OBSERVED, MOST NOTABLY AS APPLIED TO NATIONALIZED INDUSTRIES AND TO GOVERNMENT ITSELF, AND MODEST STEPS WERE TAKEN TO ENCOURAGE THE PRIVATE SECTOR OF THE ECONOMY.

4. BUT AGAINST THESE ACCOMPLISHMENTS, ECONOMIC DEVELOPMENT MADE NO GREATER GAINS AND RURAL PURCHASING POWER CONTINUED TO DECLINE TO THE POINT WHERE DOMESTIC PRODUCTION OF CONSUMER GOODS HAS BEEN AFFECTED. AID DISBURSEMENTS CONTINUED TO LAG BADLY, AND THE MOBILIZATION OF DOMESTIC RESOURCES WAS WELL BELOW HOPES. THE LACK OF MANAGERIAL TALENT IMPEDED DEVELOPMENT EFFORTS: TRAINED BANGLADESHIS CONTINUE TO LEAVE AND THOSE WHO REMAIN SUFFER FROM FIVE YEARS OF DEMORALIZATION AND ABSENCE OF CLEAR POLITICAL DIRECTION. EXPORT PERFORMANCE FAILED TO IMPROVE, AND THE BALANCE OF PAYMENTS OUTLOOK REMAINED DIM. LASTLY, BECAUSE OF BANGLADESH'S THREE PERCENT ANNUAL POPULATION GROWTH AND ONLY ONE PERCENT ANNUAL INCREASE IN AGRICULTURAL PRODUCTION, FOREIGN ASSISTANCE OVER THE LONG TERM SEEMS LIKELY TO BE DIRECTED INCREASINGLY TOWARD FOOD IMPORTS.

FOREIGN POLICY

5. BANGLADESH'S FOREIGN POLICY IN THE POST-MUJIB ERA HAS CHANGED LESS THAN PUBLIC RHETORIC AND PRIVATE COMMENT WOULD SUGGEST. SINCE INDEPENDENCE, THAT POLICY HAS HAD TWO CHIEF PURPOSES:
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-- THE FIRST IS TO RECONCILE THE COUNTRY'S SOVEREIGNTY AND ITS PEOPLE'S NATIONAL IDENTITY WITH THE NEED TO PRESERVE THE TOLERANCE, IF NOT THE GOODWILL, OF INDIA, WHOSE SIZE AND GRAVITATIONAL PULL MAKE IT A CENTRAL ELEMENT IN BANGLADESH'S DESTINY. THIS TASK OF RECONCILIATION IS COMPLICATED BY THE CONSTANT TENSION BETWEEN THE CULTURAL HERITAGE OF BANGAL AND THE DISTINGUISHING CHARACTER OF ISLAM. IN MUJIB'S TIME, THE BENGALI ASPECT SEEMED TO HAVE DOMINATED; SINCE THEN, THE ISLAMIC HAS BEEN ASCENDANT.

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-- THE SECOND PURPOSE IS TO MAXIMIZE THE NUMBER OF COUNTRIES TO WHICH BANGLADESH CAN LOOK FOR SUPPORT. BANGLADESH'S POVERTY IS EXTREME, AND IT SEEKS FINANCIAL HELP FROM ANY AND ALL QUARTERS. IN THE POLITICAL AND SECURITY FIELDS, THE END AT PRESENT IS TO FIND A WAY TO PROTECT A WEAK BANGLADESH FROM AN INDIA ABOUT WHOSE INTENTIONS IT HAS GRAVE, IF OFTEN OVERWROUGHT, SUSPICIONS. THUS EFFORTS ARE MADE TO STRENGTHEN BI-LATERAL TIES WITH CHINA, PAKISTAN AND THE UNITED STATES, ALL OF WHOM ARE THOUGHT TO LACK SYMPATHY FOR INDIA, AND TO SEEK TO INSURE MEMBERSHIP WITHIN GROUPS SUCH AS THE ISLAMIC CONFERENCE AND THE NON-ALIGNED MOVEMENT WHOSE POSSIBLE DISAPPROBATION MIGHT RESTRAIN INDIA FROM ACTIONS INIMICAL TO BANGLADESH.

6. AT THE MOMENT, THE KIND OF PAN-ISLAMIC TINGE WHICH PREVAILS IN THE CONDUCT OF BANGLADESH'S FOREIGN POLICY IS MEANT BOTH TO ASSERT INDEPENDENCE FROM INDIAN DOMINATION AND TO STIMULATE THE CONCERN OF OIL-RICH ARABS AND IRAN NOT ONLY FOR BANGLADESH'S SECURITY NEEDS BUT EQUALLY FOR ITS ECONOMIC PLIGHT. THE EFFORT TO MAXIMIZE SUPPORT,
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MORAL AND ECONOMIC, FROM OTHER NATIONS WITH EVEN MORE TENUOUS AFFINITIES, HOWEVER, MAY PROVE A MORE DIFFICULT TASK. THE PROBLEM LIES IN MAINTAINING THIRD WORLD CREDENTIALS AND SIMULTANEOUSLY SUSTAINING THE SYMPATHY AND GENEROSITY OF THE DEVELOPED WESTERN NATIONS.

ELEMENTS OF AMERICAN POLICY

7. AS SET FORTH IN THE DEPARTMENT'S POLICY STATEMENT ON BANGLADESH DATED DECEMBER 15, 1975, WE ARE INTERESTED PRIMARILY IN FOUR POLICY OBJECTIVES IN BANGLADESH: 1) THE MAINTENANCE OF GOOD RELATIONS WITH A FRIENDLY COUNTRY; 2) THE PRESERVATION OF STABILITY IN THE INDIAN SUBCONTINENT; 3) THE AVOIDANCE OF THE DOMINATION OF BANGLADESH BY AN OUTSIDE POWER; AND 4) THE PROMOTION OF THE WELFARE OF THE PEOPLE OF BANGLADESH. THERE FOLLOWS AN ASSESSMENT OF OUR SUCCESS, OR FAILURE, IN MEETING THESE OBJECTIVES OVER THE PAST YEAR.

GOAL I: EFFECTIVE RELATIONS

8. BANGLADESHIS POINT TOWARD THE SHARP DECLINE IN THEIR COUNTRY'S RELATIONS WITH INDIA AND THE SOVIET UNION SINCE LAST AUGUST 15 AS EVIDENCE THAT, CONVERSELY, AMERICAN RELATIONS WITH BANGLADESH MUST BE FAR BETTER THAN THEY WERE DURING MUJIB'S RULE. ALTHOUGH OUR RELATIONS DO GIVE THE SUPERFICIAL APPEARANCE OF BEING BETTER SO FAR AS RHETORIC IS CONCERNED, IN PRACTICAL MATTERS WE HAVE BEEN AFFORDED NO SUBSTANTIAL ADVANTAGES OVER WHAT WE ENJOYED IN MUJIB'S TIME. PERHAPS THE MOST TANGIBLE DIFFERENCE LIES IN THE CESSATION OF THE ANTI-AMERICAN PROPAGANDA WHICH, DESPITE THE ENORMOUS IMPROVEMENT IN RELATIONS THAT HAD GRADUALLY TAKEN PLACE BETWEEN 1971 AND 1975, WAS STILL SURFACING FROM TIME TO TIME EVEN IN THE LAST MONTHS OF MUJIB'S RULE. IN THE PAST YEAR, THERE HAS BEEN MORE WARMTH IN OUR RELATIONS AND THE BDG HAS SHOWN A GREATER WILLINGNESS TO LISTEN TO OUR REPRESENTATIONS ON GIVEN ISSUES, BUT THIS RECEPTIVITY HAS NOT YET BEEN TRANSLATED INTO AN INCREASED WILLINGNESS BY THE BDG TO DEPART FROM ITS NON-ALIGNED POSITION -- ALTHOUGH IT IS WORTH REMEMBERING THAT ITS POSITION IS WITHIN THE RANKS OF THE MORE MODERATE

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OF THE NON-ALIGNED STATES -- TO JOIN US ON MULTILATERAL ISSUES. IN THIS RESPECT, AND ALSO WITH RESPECT TO BILATERAL ECONOMIC ISSUES, OUR EXPERIENCE HAS NOT YET BEEN NOTABLY DIFFERENT FROM OUR EXPERIENCE WITH THE MUJIB GOVERNMENT.

9. BILATERAL ECONOMIC ISSUES. THE LEVEL OF AMERICAN INVESTMENT IN BANGLADESH IS LOW AND THUS THE ECONOMIC INTERESTS TO BE PROTECTED ARE LIMITED. NEVERTHELESS, THERE ARE OUTSTANDING PROBLEMS. FOR FOUR YEARS WE HAVE ACTIVELY SOUGHT: (A) ADEQUATE COMPENSATION FOR INDUSTRIES THAT HAVE BEEN NATIONALIZED; (B) RESOLUTION OF CLAIMS ON SEVERAL ABANDONED PROPERTIES ARISING FROM THE LIBERATION WAR; AND (C) ACKNOWLEDGMENT OF LIABILITY FOR SEVERAL PRE-INDEPENDENCE COMMERCIAL DEBTS AND ONE INSURANCE CLAIM. WHILE THE MLA HAS ACCEPTED THE NEED TO PAY COMPENSATION FOR NATIONALIZED PROPERTIES AND THE SETTLEMENT OF OUTSTANDING COOLEY LOANS, THE DISCOURAGING FACT REMAINS THAT NO CLAIM HAS YET BEEN SETTLED.

10. PURSUIT OF NORMAL BUSINESS. PARADOXICALLY, WE HAVE ENCOUNTERED MORE DIFFICULTIES IN THE CONDUCT OF ROUTINE BUSINESS WITH THE PRESENT GOVERNMENT, WHICH HAS TAKEN A MORE INTRUSIVE APPROACH TOWARD THE BUSINESS OF FOREIGN EMBASSIES, THAN WE DID UNDER THE MUJIB GOVERNMENT. WE NOW CONTEND WITH A VARIETY OF HINDRANCES, MANY OF THEM PETTY -- FOR EXAMPLE, OUR IMPORTS OF EMBASSY SUPPLIES AND EQUIPMENT ARE NOW SUBJECTED TO ALMOST HARASSING SCRUTINY BY THE FOREIGN MINISTRY; OBSTACLES HAVE BEEN PUT IN THE WAY OF THE FREQUENT FILM SHOWINGS TO WHICH WE USED TO INVITE MANY BANGLADESHIS; CIVIL SERVANTS ARE NOW REQUIRED TO OBTAIN GOVERNMENTAL CLEARANCE BEFORE ACCEPTING OUR AND OTHER EMBASSIES' INVITATIONS; AND THE BDG HAS IMPOSED GREATER CONTROL OVER THE SELECTION OF CANDIDATES FOR OUR CULTURAL EXCHANGE PROGRAM. THE GOVERNMENT ASSURES US THAT ITS STANCE ON ALL THESE ISSUES IS NOT DIRECTED AGAINST US BUT AGAINST OTHER, UNNAMED COUNTRIES (USUALLY IMPLYING THAT THE SOVIET UNION AND INDIA ARE PRINCIPALLY WHO THEY HAVE IN MIND). SUCH RESTRICTIONS MAY BE XENOPHOBIC IN ORIGIN OR REFLECTIVE OF THE MLA'S SIEGE MENTALITY, WHICH LEADS IT TO MISTRUST THE MOTIVES OF SEVERAL FOREIGN

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EMBASSIES AND ALSO ITS OWN PERSONNEL, AND THEREFORE MAY BE BEYOND OUR CAPACITY TO AMELIORATE. IN ANY CASE, THEY ARE NOT IMPORTANT OBSTACLES TO THE PURSUIT OF OUR BASIC INTERESTS.

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11. MULTILATERAL ISSUES. WE HAVE HAD ONLY LIMITED SUCCESS IN MOVING BANGLADESH AWAY FROM THE POSITIONS HELD BY ITS THIRD WORLD AND NON-ALIGNED FRIENDS, AND NO SUCCESS ON MATTERS OF SPECIAL IMPORTANCE TO ITS ISLAMIC BRETHREN. GIVEN THE IMPORTANCE THE BDG ATTACHES TO MAINTAINING ITS CREDENTIALS IN THESE CIRCLES, IT IS NOT REALISTIC TO EXPECT ITS POSITIVE SUPPORT ON MANY MULTILATERAL ISSUES WE DEEM CRITICAL TO OUR INTERESTS. THE ARAB/ISRAELI ISSUE ASIDE, HOWEVER, WHAT WE CAN REASONABLY EXPECT IN INTERNATIONAL FORA IS THE BDG'S SILENCE IN THE FORM OF ABSTENTION OR ABSENCE, AS IN THE CASE OF THE KOREAN ISSUE AT THE THIRTIETH UNGA. AS VOTING MARGINS NARROW, SUCH SILENCE MAY NOT BE SUFFICIENT COOPERATION AND WE MAY HAVE TO PRESS MORE FORCEFULLY FOR VOTES IN FAVOR OF US POSITIONS, MAKING MORE EFFECTIVE USE OF SUCH LEVERAGE AS WE POSSESS.

GOAL II: POLITICAL STABILITY IN THE SUBCONTINENT

12. BECAUSE OF THE FRAGILE INTERNATIONAL SITUATION AND THE CURRENT TROUBLED RELATIONS WITH INDIA, BANGLADESH
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PRESENTLY CONTRIBUTES LESS TO SUBCONTINENTAL HARMONY THAN IT DID BEFORE AUGUST 15. THE STRAIN IN INDO-BANGLADESH

RELATIONS DERIVES IN PART FROM SOME VERY REAL PROBLEMS SUCH AS THE SHARING OF GANGES RIVER WATERS, BORDER ACTIVITIES, AND THE DELIMITATION OF THE MARITIME BOUNDARY, BUT IT ALSO ARISES OUT OF THE MLA'S USE OF ANTI-INDIANISM FOR DOMESTIC POLITICAL PURPOSES AND OF ISLAM AS A FACTOR TO UNIFY THE NATION. SINCE IN PRACTICAL TERMS THE ADVANTAGE IS WITH INDIA IN ITS SPECIFIC DISPUTES WITH BANGLADESH, WE SUSPECT THAT THE INDIANS, RECOGNIZING THAT A DESTABILIZED BANGLADESH WOULD POSE SECURITY PROBLEMS FOR THEMSELVES, ARE PREPARED TO BE RELATIVELY TOLERANT OF THE STRESS ON ANTI-INDIANISM AS A UNIFYING FACTOR. AND WHILE BANGLADESH'S USE OF ANTI-INDIANISM INVOLVES A RISK OF MISCALCULATION AND THUS A POTENTIAL THREAT TO REGIONAL STABILITY, THE BANGLADESH GOVERNMENT HAS SHOWN THUS FAR AN EMPHATIC INTEREST IN AVOIDING THE COMMUNAL DIFFICULTIES WHICH WOULD MOST LIKELY LEAD TO SERIOUS REPERCUSSIONS WITH INDIA.

GOAL III: THE AVOIDANCE OF OUTSIDE DOMINATION

13. ON THE OTHER HAND, THE DANGER OF BANGLADESH BEING DOMINATED BY AN OUTSIDE POWER HAS RECEDED WITH THE REORDERING OF BANGLADESH'S RELATIONS FOLLOWING MUJIB'S DEATH. NOT ONLY HAS BANGLADESH'S CLIENT RELATIONSHIP WITH INDIA BEEN UPSET BY MUJIB'S ASSASSINATION BUT LINKS WITH THE SOVIET UNION, SEEN BY THE BANGLADESHIS AS CLOSELY TIED TO INDIA, HAVE ALSO BEEN LOOSENED, AND TIES WITH BOTH CHINA AND PAKISTAN HAVE BEEN ESTABLISHED IN THE EXPECTATION THAT THEY WILL SERVE AS A COUNTERPOISE TO INDIA. WHILE SUCH REORDERING CARRIES THE POTENTIAL FOR DRAWING BANGLADESH INTO CHINESE AND PAKISTANI QUARRELS WITH INDIA,, SUCH A DANGER MAY BE OFFSET BY INDIA'S EFFORTS TO IMPROVE ITS OWN RELATIONS WITH CHINA AND PAKISTAN.

14. THE GOAL OF STABLE SOUTH ASIA FREE OF GREAT POWER CONFRONTATION IS ONE WHICH WE SHOULD PURSUE IN OUR NATIONAL INTERESTS BUT THE CONTRIBUTION THAT WE CAN MAKE TO SUCH STABILITY IN THE POLITICAL FIELD WILL NECESSARILY BE LIMITED. OUR OCCASIONAL EXERCISES OF GOOD OFFICES IN PERIODS OF SPECIAL TENSION HAVE HAD POSITIVE EFFECTS. HOWEVER, WE
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CANNOT ESCAPE THE POSSIBILITY THAT THE REGIONAL ACTORS, AND OTHERS, MAY MISUNDERSTAND OUR PURPOSES SHOULD WE INTERVENE IN MATTERS OF GREAT SENSITIVITY, AS THE BANGLADESHIS WOULD HAVE US DO. THUS, OUR MOST EFFECTIVE CONTRIBUTION TO REGIONAL STABILITY WILL CONTINUE TO BE THROUGH AIDING THE SOCIO-ECONOMIC DEVELOPMENT OF BANGLADESH.

GOAL IV: SELF-SUSTAINING SOCIO-ECONOMIC DEVELOPMENT

15. IF A TRULY STABLE BANGLADESH IS TO EMERGE AND CONTRIBUTE TO SUBCONTINENTAL HARMONY, ITS ECONOMIC ILLS AND THE SOCIAL PROBLEMS THEY CREATE MUST BE ALLEVIATED. OUR ASSISTANCE TO BANGLADESH, THEREFORE, HAS TWO OBJECTIVES:

-- OVER THE SHORT TERM, TO PROVIDE FOOD AND DEVELOPMENT ASSISTANCE, DIRECTED TOWARD THE POOREST BANGLADESHIS; AND
-- OVER THE LONG TERM, TO REDUCE BANGLADESH'S DEPENDENCE ON FOREIGN ASSISTANCE BY HELPING IT ACHIEVE FOOD SELF-SUFFICIENCY FOR A STABLE POPULATION.

16. OUR ASSISTANCE SINCE INDEPENDENCE NOW TOTALS ALMOST EXACTLY A BILLION DOLLARS, ABOUT 20 PERCENT OF ALL FOREIGN AID TO BANGLADESH, AND CONSISTS OF FOOD PROVIDED UNDER PL-480 (TITLE I: \$446.7 MILLION; TITLE II: \$149.8 MILLION) AND DEVELOPMENT LOANS TOTALING \$412.4 MILLION.

17. OUR PRESENT POLICIES SEEM WELL TAILORED TO AID BANGLADESH IN MEETING ITS FOODGRAIN NEEDS BUT LESS WELL SUITED TO HELPING ITS ECONOMIC GROWTH. TO DO SO, WE WOULD HAVE TO SUBSTANTIALLY ALTER THE RATIO BETWEEN FOODGRAIN AND DEVELOPMENT ASSISTANCE. AND HERE WE CONFRONT A DILEMMA. WE WISH TO SEE THE HUNGRY FED, FOR BOTH HUMANITARIAN AND PRACTICAL POLITICAL REASONS. BUT IN PROVIDING FOODGRAINS, WE DILUTE EFFORTS TO SPUR DOMESTIC FOOD PRODUCTION. PSYCHOLOGICAL INCENTIVES ARE REDUCED WHEN THE BDG THINKS THAT FOREIGN FOODGRAINS WILL BE FORTHCOMING AND, IN THE ABSENCE OF APPROPRIATE BDG POLICIES, IMPORTED FOODGRAINS SERVE TO SOME EXTENT TO DEPRESS PRICES PAID TO BANGLADESHI FARMERS AND THUS TEND TO DISCOURAGE INCREASED

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DOMESTIC FOOD PRODUCTION.

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18. HOWEVER, THERE IS NO CERTAINTY THAT IF WE WERE TO ALTER THE FOODGRAIN/DEVELOPMENT AID RATIO, THE BANGLADESHIS WOULD BE EITHER READY OR ABLE TO UNDERTAKE LARGER AND MORE EXTENSIVE DEVELOPMENTAL PROGRAMS. THEY MAY LACK BOTH THE POLITICAL DIRECTION AND THE MANAGERIAL SKILLS FOR SUCH PROGRAMS. FOR EXAMPLE, THE POPULATION CONTROL PROGRAM HAS BEEN A PERENNIAL PROBLEM BY REASON OF BUREAUCRATIC POLITICS AND EVER-CHANGING POLICY GUIDANCE. AND A RECENT PROPOSAL FOR AN AGRICULTURAL INPUTS LOAN HAD TO BE ABANDONED BECAUSE OF THE BDG'S SEEMING INABILITY TO MARSHAL NEEDED DATA ON A TIMELY AND ACCURATE BASIS. WE ARE ATTEMPTING TO DIMINISH THIS PROBLEM BY ENCOURAGING DONORS TO PROVIDE PERSONNEL FOR THE BDG'S CENTRAL PLANNING AND IMPLEMENTATION STAFFS. HOWEVER, THIS WOULD DEAL ONLY marginally WITH THE PROBLEM OF IMPLEMENTING PROJECTS IN THE FIELD. THERE IS ALSO AN ELEMENT OF IMMOBILISME THAT MAY BE AS IMPORTANT AN IMPEDIMENT TO DEVELOPMENT AS THE LACK OF POLITICAL DIRECTION AND MANAGERIAL COMPETENCE. OUR EFFORTS TO PERSUADE THE BDG TO ADOPT POLICIES LIKELY TO SPUR THE GREATER MOBILIZATION OF DOMESTIC RESOURCES, TO ENGAGE PRIVATE DOMESTIC INITIATIVE AND TO ATTRACT INVESTMENT FROM ABROAD HAVE LED TO POLICY PRO-
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NOUNCEMENTS AND A FEW CONCRETE ACTIONS ALONG THESE LINES BUT ONLY LIMITED RESULTS SO FAR.

CONCLUSION

19. THE UNITED STATES HAS NO VITAL INTERESTS IN BANGLADESH, WHETHER STRATEGIC, ECONOMIC OR COMMERCIAL. WE WISH TO HAVE EFFECTIVE RELATIONS; WE SEEK A STABLE SOUTH ASIA FREE OF DOMINANCE BY ONE POWER AND ALSO FREE OF GREAT POWER CON-

FRONTATION; AND WE SEEK TO ASSIST BANGLADESH'S ECONOMIC DEVELOPMENT IN ORDER TO CONTRIBUTE TO NATIONAL AND REGIONAL STABILITY. THE CHANGES IN BANGLADESH'S INTERNAL POLITICAL SITUATION AND ITS FOREIGN RELATIONS IN THE PAST YEAR, WHILE THEY HAVE HAD A FAVORABLE IMPACT ON OUR INTERESTS, HAVE NOT ALTERED THE LIMITED CHARACTER OF THESE INTERESTS NOR HAVE THEY REQUIRED ANY SIGNIFICANT VARIATIONS IN OUR APPROACHES TOWARD IMPLEMENTING OUR POLICY. INDEED, THE CHANGES OF THE PAST YEAR, WHICH POINT UP THE FRAGILITY WITHIN BANGLADESH AND THE UNCERTAINTY FOR ITS FUTURE, HAVE SEEMED TO EMPHASIZE THE NEED FOR OUR CONTINUING RESTRAINT, FOR LIMITING OUR POLITICAL INVOLVEMENT IN BANGLADESH'S AFFAIRS AS BEST WE CAN, AND FOR AVOIDING ENCOURAGEMENT OF BANGLADESH'S ALL-TOO-READY INSTINCTS TO LOOK PRIMARILY TO US FOR THEIR SALVATION.

20. THESE INSTINCTS HAVE BEEN HONED IN THE PAST YEAR BY THE BANGLADESHIS' PERCEPTION THAT THEIR SOVEREIGNTY AND INDEPENDENCE ARE THREATENED BY INDIA, AND HENCE IT HAS BECOME EVEN MORE DIFFICULT TO CONVINCE THEM THAT OUR INTERESTS ARE INDEED LIMITED. THE MLA HAS BEGUN LOOKING TO US FOR HELP WITH THEIR SECURITY AS WELL AS THEIR ECONOMIC NEEDS, WISHING IN EFFECT TO ESTABLISH A CLOSE MILITARY SUPPLY RELATIONSHIP WITH US. WE HAVE ENDEAVORED TO CONVINCE THE BDG THAT MILITARY ASSISTANCE IN THE FORMS OF EITHER GRANTS OR CREDITS IS IMPROBABLE AND HAVE ENCOURAGED THEM TO RELY ON COMMERCIAL CHANNELS FOR THE PROCUREMENT OF THE COMMUNICATIONS AND TRANSPORTATION EQUIPMENT WHICH THEY NEED BOTH FOR INTERNAL ADMINISTRATIVE PURPOSES AND FOR THE ENHANCEMENT OF THEIR INTERNAL SECURITY. BUT THE PRESSURE TO HAVE US DO MUCH MORE IS STILL STRONG IN THE BANGLADESH GOVERNMENT, AS EVIDENCED MOST RECENTLY BY DEPUTY CHIEF MARSHAL LAW ADMINISTRATOR ADMIRAL KHAN'S CONVERSATION WITH SENIOR OFFICIALS IN WASHINGTON. CONFIDENTIAL

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21. THUS, WHILE THE EVENTS OF THE PAST YEAR HAVE UNDERScored THE LIMITED NATURE OF OUR INTERESTS IN BANGLADESH AS WE PERCEIVE THEM, THEY HAVE HAD THE OPPOSITE EFFECT ON THE CURRENT REGIME AND MANY OTHER BANGLADESHIS WHO SEEK A CLOSER US INVOLVEMENT WITH THEIR AFFAIRS.

2. NEVERTHELESS, WE JUDGE THAT OUR ESSENTIAL INTERESTS HAVE BEEN ADEQUATELY SERVED OVER THE PAST YEAR BY OUR CURRENT POLICY AND WE SEE NO NEED FOR A CHANGE IN EXISTING POLICY DIRECTIVE. WITH SPECIFIC RESPECT TO THE CLOSER MILITARY RELATIONSHIP DESIRED BY BANGLADESH, WE BELIEVE THAT SUCH A RELATIONSHIP IS NOT IN OUR INTEREST. SUCH MILITARY ASSISTANCE AS WE MIGHT PROVIDE WOULD NOT SERIOUSLY WEIGH IN THE BALANCE IN ANY DEFENSIVE ACTION AGAINST INDIA; AND OUR ASSUMPTION OF AN IMPORTANT MILITARY SUPPLY ROLE WOULD BE

MISUNDERSTOOD BOTH BY THE INDIANS, WHO WOULD BELIEVE THAT THE INTENT OF THIS POLICY WAS AT LEAST IN PART DIRECTED AGAINST THEM, AS WELL AS BY THE BANGLADESHIS, WHO WOULD BE PERSUADED THAT WE SEE A GREATER STAKE IN BANGLADESH THAN IN FACT IS THE CASE. FOR AS LONG AS WE CAN SEE AHEAD, THE PRINCIPAL AMERICAN INTEREST IN BANGLADESH WILL NOT BE STRATEGIC BUT WILL RATHER BE ESSENTIALLY HUMANITARIAN IN CHARACTER; THE PROVISION OF SUBSTANTIAL AMOUNTS OF AID TO HELP FEED THE PEOPLE OF BANGLADESH AND TO HELP THEM TOWARD THE GOAL OF BUILDING AN ECONOMY AND A SOCIETY WHICH CAN, OVER TIME, BE LESS DEPENDENT ON OUTSIDE ASSISTANCE.

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